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# The Executive PURCHASER



A NATIONAL PUBLICATION DEVOTED TO  
PURCHASING AS AN EXECUTIVE FUNCTION  
IN CORPORATION MANAGEMENT

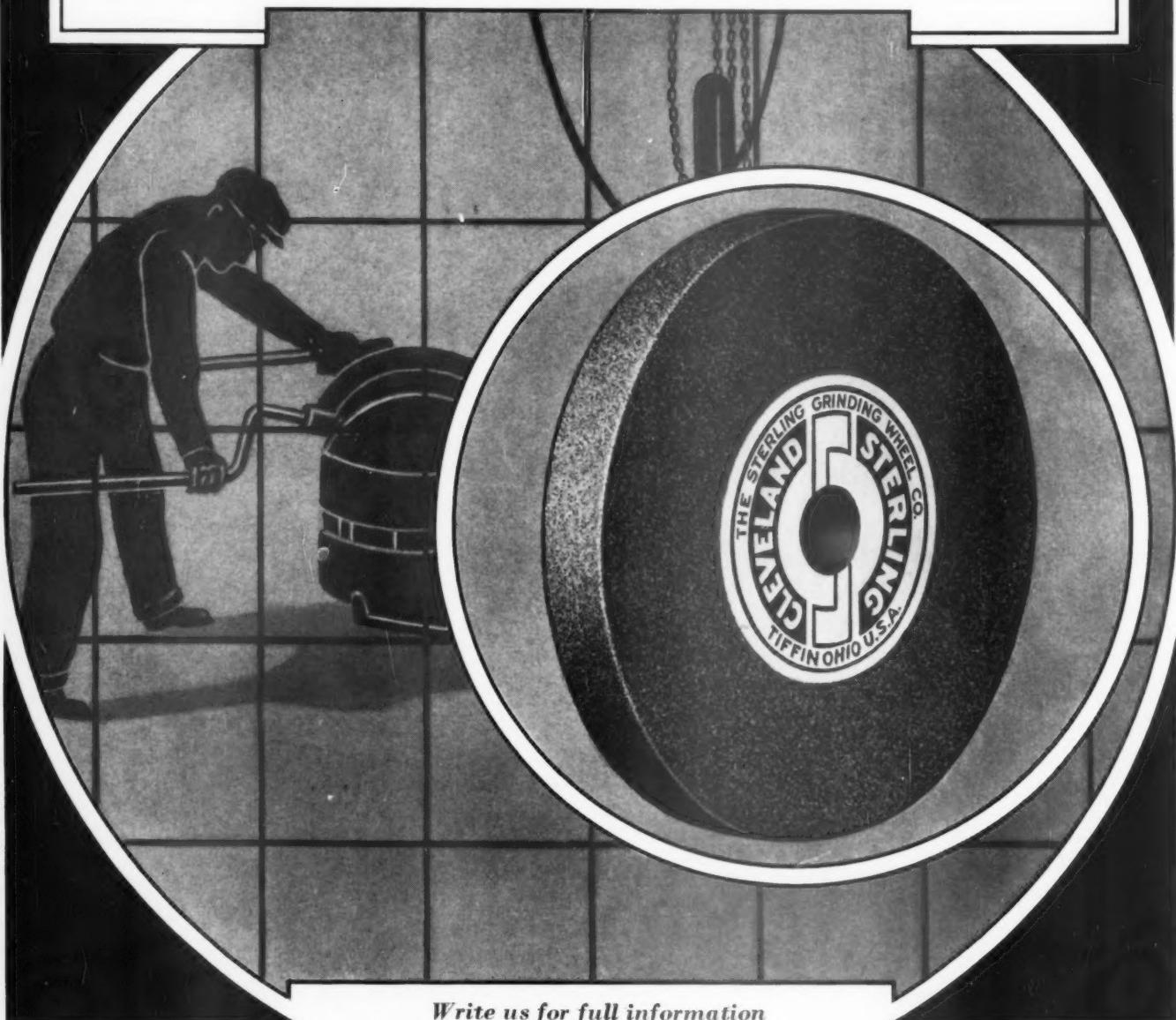
Volume II

MARCH 1934

Number 3

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# The Executive PURCHASER

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Complete • Concise • Constructive

Published Monthly by ROGREEN PUBLICATIONS, Inc., 623 East St. Clair Avenue, Cleveland, Ohio

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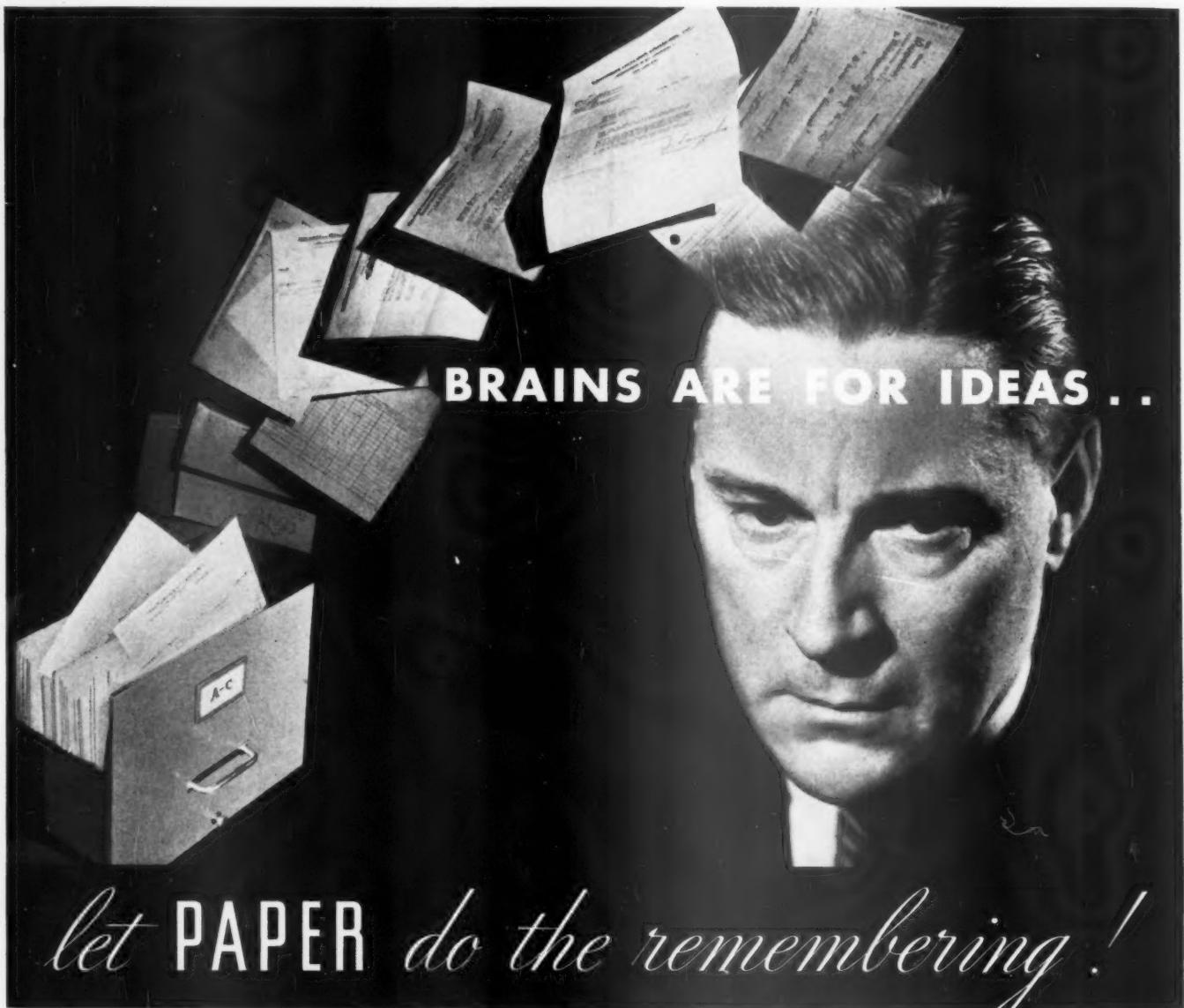
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# EDITORIAL

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**I**T is doubtful if any one subject in the history of this country ever was given the close scrutiny, widespread publicity and thorough discussion by the people-at-large that the NRA program has received ever since it came into being about nine months ago. Also it is doubtful if any subject has been so generally and so completely misunderstood.

To understand the program and oppose it is one thing. To oppose it through a palpable ignorance of its fundamental purpose and meaning is quite another.

Several of our more prominent citizens have come out recently in the public prints with expressions of acute dissatisfaction with the NRA. Many others probably have voiced similar sentiments through more private channels. The same note, however, seems to run through most of the plaints: viz — Industry and Capital are not deriving sufficient direct benefits from the operation of the National Industrial Recovery Act.



William Randolph Hearst, head of the Hearst chain of newspapers, states with characteristic authority:

"The NRA, with the best intentions in the world, has alertly thrown business a millstone or a coil of lead pipe as a life preserver."



Walter Lippmann, syndicated columnist writing in the *New York Tribune* gives his summary of the situation:

"The past year's experience seems to me to have shown with considerable definiteness . . . that public control, through AAA and NRA, has contributed little to recovery, though it may and probably will contribute greatly to economic reconstruction."

In a letter titled "Rehabilitation of Industry — the Forgotten Purpose of NIRA," the president of an Ohio steel company writes:

"The Sherman Law condemns agreement on prices. NIRA promised some relaxation of law. NRA ignores the promise. Industry suffers. Industry is our people. All lose when industry loses."

Let us deal with these gentlemen one at a time.



William Randolph Hearst in criticizing the quality of life preservers thrown to industry manifestly believes that NRA'S function is to *throw life preservers to industry* — and good ones. Franklin D. Roosevelt apparently feels differently about it:

"The law I have just signed was passed *to put people back to work* — to let them buy more of the products of farms and factories and start our business at a living rate again."



As for Mr. Lippmann, unless he can find some important difference between "recovery" and "economic reconstruction" his statement has a net value of just exactly nothing whatever.

And if the Ohio steel man is basing his claims on the assumption that "industry is our people," he treads on thin ice indeed. *The people are industry.* Their hopes and plans, their fears, their dreams, their happiness and sorrows, their fortunes and misfortunes, yes — their very whims and fancies; they are Industry.

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# STANDARDS GONE ASTRAY

*What have the codes done to quality?*

by

STUART F. HEINRITZ

A RECENT analysis of the approved codes of fair competition reveals the fact that just about one out of three contains any reference to quality standards. This low percentage has been a source of constant amazement to me, as it must be to any one with the practical purchasing viewpoint. Not that we have reason to expect any particular enthusiasm on the subject; the history of the standardization movement marks it as a long and painfully slow educational process. But without some definite and measurable relationship to standards of quality, a great part of the insistence on price control in codes is utterly and pathetically meaningless.

Value, as every buyer knows, is not measured by price alone, but is a component of price, quality and service. The low-price seller may be the most conscienceless profiteer in the business. The high-price seller, as some manufacturers have honestly and repeatedly assured the buying public these many years, may be offering values far in excess of the price differential charged. A previous paper in this series pointed out that the uniformity of price achieved under many of the codes in practice may actually simplify the purchaser's job by affording direct comparisons of the quality and service factors as measures of value.

#### BOARD COUNSEL

The Consumers' Advisory board of NRA, representing the buyer's

viewpoint, has from the beginning recognized the importance of adequate quality standards as a means of consumer protection, and has sought to find some means of making them a part of every code where such a provision is pertinent. An expert counselor on the subject is an important member of the resident staff. Dr. McAllister and his associates at the bureau of standards have for months been analyzing every pending code and out of their wealth of experience have drawn up clauses for submission to the various industries. This has seemed an eminently fair approach

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**O**WING to the unusual interest in Mr. Heinritz's January and February articles and the anticipated interest in this one, the publishers have a few available copies of these issues for special requests at the regular price of twenty-five cents per copy.

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to the problem. The bureau, with its federal status, is fundamentally scientific and impartial. A development of the Hoover regime, it is schooled in the needs of business as well as of the public; in Washington it is considered traditionally industry-minded. Yet for the most part its suggestions have fallen on deaf ears.

At the great Code Authority Conference, earlier this month, Dr. R. A. Brady of the board presented an able statement on the desirabil-



STUART F. HEINRITZ

ity of defining the right kind of standards in the codes. An industrialist, later in the same session, commended that statement but cited the ease of his own code, from which the standards clause had been deleted at the request of the Consumers' board.

#### DELETION

The answer to that and other similar situations is that standards, like many other potentially excellent provisions, are valuable only in so far as they are properly directed and used. Some of the most notable accomplishments of the board in its standards program have been in the elimination of proposed standards which would have resulted chiefly in facilitating price-fixing agreements or in aiding one class of producers to gain and hold advantages over their competitors. That is not the typical case, but it has occurred with some frequency.

The unpardonable sin in this new business day is "chiseling." Popularly this is interpreted as price-cutting. As a matter of practical fact, the same result can be achieved by raising quality, as

every manufacturer and dealer knows. Many of the codes properly guard against this contingency by forbidding the shipment of higher grade goods on orders specifying a lower grade at a correspondingly lower listed price. That is a clear case of evasion. But approaching the same problem under the guise of a regulation of standards, the logical, yet incongruous development arising from this situation is that in a recovery program designed to conserve and improve the national standard of living, a number of the governing codes contain standards provisions that are definitely restrictive, and are primarily related to the price structure rather than to any considerations of usefulness or public and consumer interest.

#### MINIMUMS

Quality standards in the past have been considered chiefly as setting up the minimum requirements for a given product. There is a real value in such provisions when there is an element of health or hazard involved, as in food and drug products and in safety equipment. Or when there is a possibility of fraud, as for example in the use of such terms as "weighted silk" containing an unduly high proportion of tin or lead, or "stainless iron" in low-priced cutlery incapable of holding an edge. Or when prices are rigidly fixed, as in the case of the cleaning and dyeing service.

The latter code, while far from satisfactory or successful, is a good example of the safeguard which adequate minimum standards can supply. The code authority is charged with the responsibility "to adopt and prescribe standards of quality for each of the several types of service performed by the trade" and to this end is further instructed to cooperate with a committee consisting of one active member of the trade, one appointee of the American Home Economics association and one technician, preferably from the bureau of stand-



F. D. R. OPENS CODE COMPLAINT CONFERENCE

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ards. A later clause makes it an unfair trade practice to offer or sell any service below the minimum standards of quality thus established. Such a provision has elements of fundamental soundness.

#### BACKFIRES

But minimum standards are not altogether an unmixed blessing, especially when they would bar from the market lower grades which have a legitimate and useful place in trade, at a price. Such for example was the proposed clause covering cordage and twine, restricting manufacturers to compliance with Simplified Practice Recommendation No. 92-32, setting minimum specifications for only two grades, whereas five useful and desirable grades have been regularly manufactured in the past. Another case in point concerns rubber footwear: "No member of the Division shall make footwear of lower quality than the lowest defined in the

Standard Product Specifications" except by special dispensation.

The code for excelsior products and several others require, by mandate, compliance with a definite set of specifications or tolerances. That procedure sets not only minimum quality standards, but maximum as well. Such is the code for pyrotechnics (fireworks to most of us), conceived in the fear that some one might produce a salute or Roman candle a half inch longer or an eighth thicker than that of his competitor.

Effective manufacturing and packaging standards are presumed to conform to standards of use and convenience. But here is a quirk that appears in the approved code for the lye industry. "Product standards" are set up under three heads: (1) Minimum quality, 74 per cent of sodium hydroxide. (2) Maximum quantity, no can permitted in excess of 13 ounces.

*Continued on page 24*

# LET'S TAKE STOCK

*Some causes and effects of federal regulation of securities*

by

VIOLET SHORT SHINN



ACME

THE SENATE'S FLETCHER

THE threat and promise of governmental regulation has been the devil, the big bad wolf and the bogey man all rolled in one to the stock exchanges of the United States during the past year.

Recently this bugaboo materialized as the Fletcher-Rayburn bill, designed "to provide for the registration of national securities exchanges operating in interstate and foreign commerce and through the mails and to prevent inequitable and unfair practices on such exchanges, and for other purposes." That last little phrase "and for other purposes," which is explained very fully in the bill, has caused consternation in business circles throughout the land. For this bill not only gives the government control over all securities exchanges in the country, but it also

brings under government control all incorporated business in the United States.

#### BARRAGE

Since its introduction into congress, Feb. 10, 1933, the Fletcher-Rayburn bill has been under fire, which is as it should be. It is impossible for statesmen or laymen to



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THE EXCHANGE'S WHITNEY

foresee always the results of any piece of legislation, the outcome of any measure that becomes a law. Government by the people and for the people permits any man to have an opinion and to express it concerning a proposed measure that may vitally affect him or his work. And the people of the United States

are making the most of this privilege. Congressmen's desks groan with the weight of correspondence from their constituents regarding this bill. Big shots from Wall Street, and representatives of tiny firms in the hinterlands are all eyeing the measures of the Fletcher-Rayburn bill with a mixture of interest, approval, consternation, disapproval, and several species of hysteria.

Three measures in this bill are of such significance to business in general that herein they are treated separately and more fully than some of the other provisions of the bill.

One of these applies to Little Business; that is, the incorporated local concerns like the big department stores, the machine shops,

#### THE HOUSE'S RAYBURN



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J. P. MORGAN &amp; THE BROS. VAN SWERINGEN TESTIFY

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small factories, and locally owned power and ice plants, etc. That is, Little Business is herein used as the opposite of Big Business. In the former classification there are hundreds of thousands of firms which issue stock which is not listed on any exchange.

#### **LISTING & COLLATERAL**

By the terms of the Fletcher-Rayburn bill, all unlisted securities, including stocks of small concerns and local bonds, no matter how valuable are worthless as collateral for loans either at banks or in brokerage offices. In order for a security to be eligible for credit, it must be listed on a national securities exchange.

A stock may be listed on a national securities exchange, according to the terms of the bill, when it complies to all the rules and regulations laid out by the Federal Trade commission. This listing would subject the officers and stockholders of the small local concern to the same liabilities as are the officers of the largest firms in the United States.

By the terms of this measure, on Oct. 1, 1934 (as the bill now stands) all unlisted securities held

as collateral for loans would be worthless for that purpose.

Closely allied to the above is that on Oct. 1, 1934, when and if this bill becomes a law, the margin requirements of securities would advance to 40 per cent of the current market price of the security or 80 per cent of the lowest price of that security during the preceding three years, whichever is the higher.

#### **UNLOADING**

With unlisted securities ruled out and the necessity of substituting either cash or listed securities, there would be many securities necessarily sacrificed in order to save others. This dumping of securities on the market between the time of the passage of the bill and the first of October, by people who could not or would not meet the new margin requirements, would according to many authorities thoroughly demoralize the market and would handicap recovery. According to an unofficial statement, however, this hazard in the bill has been recognized by the makers of the measure and there are plans on foot to change it, to spread this drastic change out over a period of years perhaps.

The third and perhaps the biggest bite which the Fletcher-Rayburn bill recommends concerns the registration of securities and the maintaining of up-to-date information regarding all the companies listed on the national exchanges. All securities must be listed by and through the Federal Trade commission.

#### **REGISTRATION**

Registration with the commission requires information filed about the firm issuing the security, concerning the organization, financial structure, and nature of the business; the different classes of securities outstanding with particulars regarding the terms, position, rights and privileges, terms under which the securities will be or are being offered to the public; particulars regarding the directors, officers, etc., and certain facts about the remuneration of their officers; balance sheets of preceding years certified by accountants; profits and loss statements, also certified; copies of articles of incorporation, bylaws, etc.—to mention only a part of the information which will be required about each listed security.

In addition to the above dope, every issuer of a security will be required to file with the commission annual, quarterly and monthly reports, which will include among other things statements of sales and gross income.

The failure of any issuer to comply with the requirements in the way of information, documents, or reports will warrant the security or securities of that firm being dropped from the exchange.

#### **ADJUSTMENTS**

One has only to contemplate how bewildering to many firms and many individuals is the experience of making out an income tax report in order to realize the task of getting thousands of concerns to accept and to comprehend such drastic changes in their accounting set-up. The acceptance of the sim-

*Continued on page 10*

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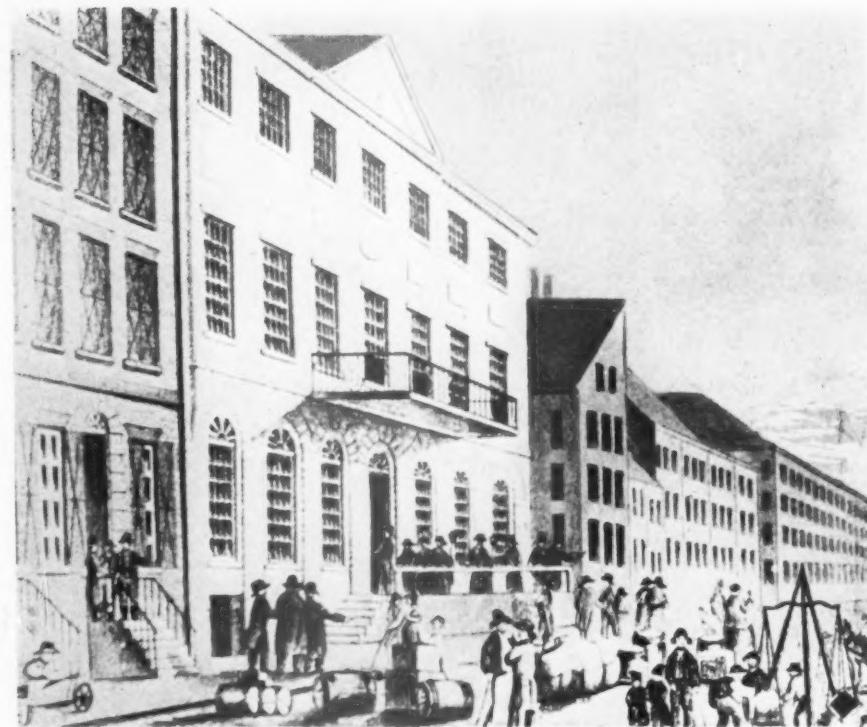
*Continued from page 8*

plified invoice form in purchasing departments has been a work spread out over a number of years. A change in a single line of an invoice form may call forth endless errors, explanations and mix-ups. It is hardly likely that bookkeeping and accounting systems throughout the business world can be changed over night.

All responsibility for getting the National Securities Act of 1934 (as the bill provides the Fletcher-Rayburn measure shall be called) underway and enforcing its provisions goes to the Federal Trade commission.

In addition to registering all national securities exchanges, making rules to govern them and their members, the commission is expected to prescribe the time and method of settlements, payments, and deliveries, the time and method of calculating margin requirements, the time and method of closing out insufficiently margined accounts, and to suspend securities from the exchanges or to revoke the licenses of exchanges for violation of rules. All this in addition to the listing and keeping up with all the companies back of the securities.

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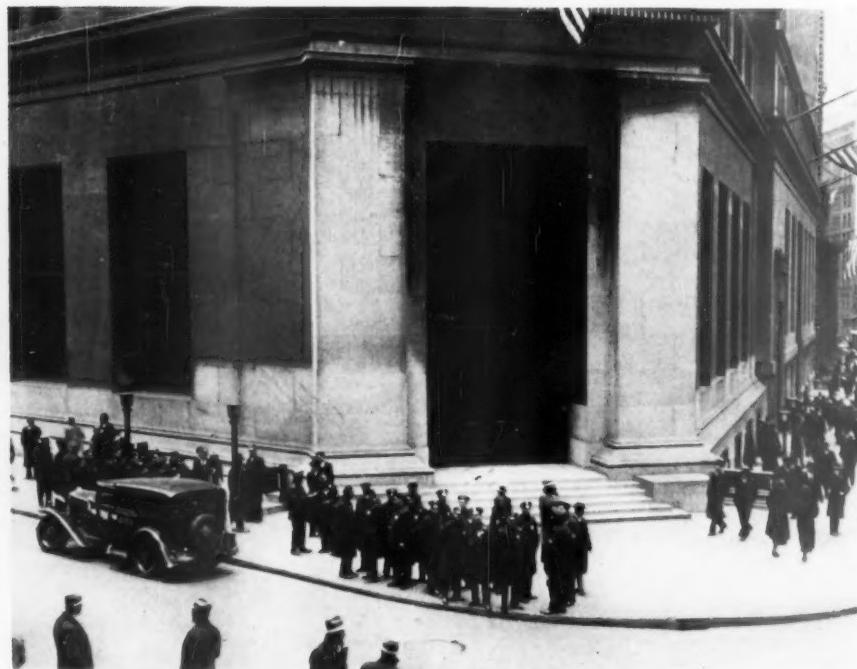
—from an old print

powers of the Commission" (Section 18) this body may prescribe rules and regulations for the election of officers and committees in the exchanges, controlling the tickers, and fix or prescribe uniform rates of commission, interest and other charges.

#### RANGE

The above is only a part of the

#### THE HOUSE THAT MORGAN BUILT



duties and privileges of the Federal Trade commission. Besides regulatory measures, there are the duties of investigation, subpoenaing witnesses, and punishing violators. In fact, about the only thing missing and visible to the naked eye in the duties, powers, and responsibilities of the Federal Trade commission under the Fletcher-Rayburn bill is a clause designating the commission as a Male Chorus required to sing at chamber of commerce banquets.

In the field of actual stock exchange control, a number of practices of the past are made by this bill criminal offenses. These include "wash sales," or the practice of one person operating as both buyer and seller of a security through two brokers, and "matched sales" in which one person buys a security and at the same time sells it for about the same price at which he bought it, and all other tricks designed to create an impression that a security is marketable.

#### RUMORS

In the field of rumor, the spreading of false or misleading information about any matter important

*Continued on page 20*

# 100,000,000 STEP-CHILDREN

OR

*What can the Consumer expect from the New Deal?*

by

F. J. SCHLINK

Director, Consumers' Research, Inc.

THE Government's difficulties and hesitations with consumers' problems bring it frequently into circumstances where it is unable even to distinguish the consumers' interest from that of the other parties to a conflict of interest. For example, the Consumers' Advisory board of the National Recovery Administration has given a great share of its limited and halting efforts to the protection of the intermediate consumers of cold-laid bituminous concrete, power and gang lawn mowers, carnival equipment and the like, on a theory that the protection of the intermediate purchasers' interest would provide a protection for the ultimate consumer at the end of the productive and distributive chain.

Yet, the board has no theory of price or price regulation and holds to the view that price must not or cannot be determined in the recovery administration set-up, on any cost-of-production basis.

In a recent report prepared by the committee on Consumers' Standards of the Consumers' Advisory board, being a collaboration of economists unfamiliar with the technologies, or with economies of consumption in respect to its fundamentally important technological relationships, there are a number of misconceptions that would be amusing if it were not for the fact that the board's failure correctly to interpret governmental projects, will mean in practice that the agency which it sets up to do standardization work for consumers will be so constituted and staffed that it likewise will be unable to deal competently or even fairly with ultimate consumers' interests.

## PIMENTO & RATS

By way of example: In the list of "Research Projects under Way in November, 1933, Related Directly or Indirectly to the Development of Standard Specifications for Consumers' Goods," a number are included which are not so related, unless the word "indirectly" is construed in so strained a sense as to be ridiculous. The Vitamin A content of pimiento pepper and the

Vitamin B and G content of inner and outer leaves of Iceberg lettuce, and a preliminary study of sesame seed as a source of calcium, and a study of the effects of small amounts of inorganic and organic selenium in the diet of the rat, are samples of what the bureau of Home Economics reported and the Consumers' Advisory board accepted as consumer projects.

These, be it known, constituted

LEON HENDERSON, JOHNSON'S CONSUMER ADVISER



four out of the total of 11 listed in the nutrition studies section of research projects in the bureau of Home Economics. If the effect of selenium upon the rat is a consumers' project, then the work which the Mellon Institute did with an aluminum ware manufacturer's money to study the poisonous properties, if any, of aluminum cooking ware was a consumers' project.

#### SIGNIFICANCE

Selenium is a commercial substance entering into insecticides and fungicides, and the consumers' only interest in the material, which is among the most deadly of all poisons commercially available for the purpose, is to be spared the necessity of consuming it even in infinitesimal amounts.

Again with Iiceberg lettuce and the sesame seed—if these represent a sufficiently important part of the work of the bureau of Home Economics to be set up as special research projects, is it any wonder that the bureau has for years had a national reputation for being something else and something less than a consumers' agency? It is not surprising that the Consumers' Advisory board is, under the aegis of an administration staffed with business executives in practically all the higher positions, very quickly developing attitudes which make it unable to distinguish consumer subject matter from that of concern to agriculturists and manufacturers.

#### KARAKUL

Another consumer project, so called, reported by the committee on Consumers' Standards, is part of one of the bureau of Home Economics, the purpose of which is to evaluate karakul fleeces produced in an investigation to determine the influence of "environment, breeding, sex, age, feed and other animal husbandry practices on the fleeces of karakul lambs," a co-operative project with the bureau of Animal Industry and the bureau of Biological Survey. The very relationship of this project to the



other agencies should have shown the Consumers' Advisory board that it was a producers' project, that the part of the bureau of Home Economics should have been merely that of an adviser, and that its funds, which are all too small to provide for more than a tiny fraction of consumers' needs, should never have been devoted to this enterprise.

In a "Selected List of Projects Relating to Standards in Progress at Land Grant Institutions, 1933-1934, and Reports of Research Published, 1932-1933," we find again our old, if deservedly obscure, friend, pimiento pepper, which is being worked upon with respect to Vitamin A in the fresh, canned and dried forms. A study of the relationship of the physical and chemical characteristics and constants of lard to its culinary value being carried out at Iowa, though useful to consumers, is, of course, being carried on as a method of increasing the consumption of lard and the market price of swine.

#### PROJECTS

Most of these projects could have been easily determined by the Con-

sumers' Advisory board as not consumers' projects, by merely considering them in terms, which are very familiar to Dr. Lynd of the board's Committee on Standards, of the importance of their position in the consumer's budget. Not only are Iiceberg lettuce and sesame seed of a degree of insignificance almost microscopic in terms of consumers' purchases and particularly in terms of what consumers' purchases should be for those of average and below-average income, but the projects are of value and interest to producers in some narrow region and with some special marketing problem which, if handled at all in the Department of Agriculture, should be regarded as a frank subsidy to specific, local, agricultural interests.

The work on selenium relates to the production by industry and use by agriculture of insecticides. [The University of California recently announced a grant of \$750 from a leading insecticide manufacturer, to work on this same subject.] The consumer has a right to be spared the ingestion of this very poisonous chemical, and the prevention of its appearance on fruits and vegetables is a responsibility of the bureau of Food and Drug Administration and not, it should be plain even to economists, of the bureau of Home Economics.

#### ERRORS

The Consumers' board report which warrants this discussion here because it represents the first governmentally sponsored approach to the problems of introducing the consumer point of view into governmental administration, includes a number of other errors that could only have been made because economists insisted upon carrying on work whose administrative relationship can be clear only to technicians and to persons knowing the real instead of the paper relationships of government bureaus. Some of the more noteworthy misstatements

#### N.A.P.A. CONVENTION

June 18 to 21, at Cleveland. THE EXECUTIVE PURCHASER will be glad to make hotel reservations for you. Just drop us a line.

*Continued on page 27*

# CONTROL OF QUALITY

*Fine motor cars demand it — and get it*

by

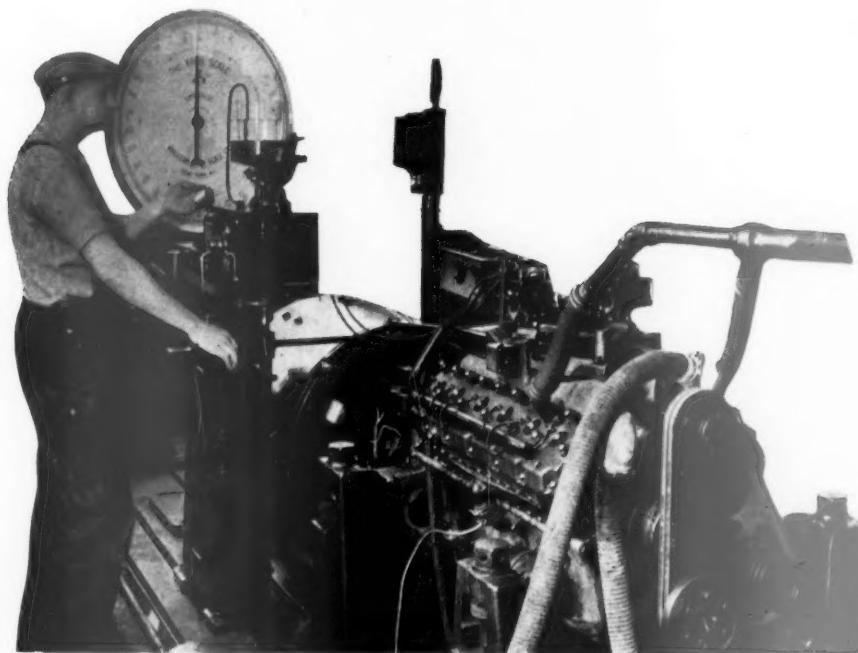
H. D. MILLHONE

Pierce-Arrow Motor Car Co.

**S**TREAMING along the highways and metropolitan thoroughfares of America today are 26 million automobiles—rolling tribute to the greatest individual industrial empire the world has ever witnessed—sound, practical products of a business that has climbed from insignificance to the pinnacle of industrial enterprise in the last three decades.

Directly and indirectly, the automobile industry and its allied enterprises support one family out of every five in the United States. In its march of progress it has enriched America by billions and billions of dollars and, through the sheer magnitude of its operations and requirements, it has lifted

#### CONNECTING ROD CHECK



TESTING MOTORS BY DYNAMOMETER

scores of other industries from relative obscurity to positions undreamed of and unattainable a few years ago.

#### INFLUENCE

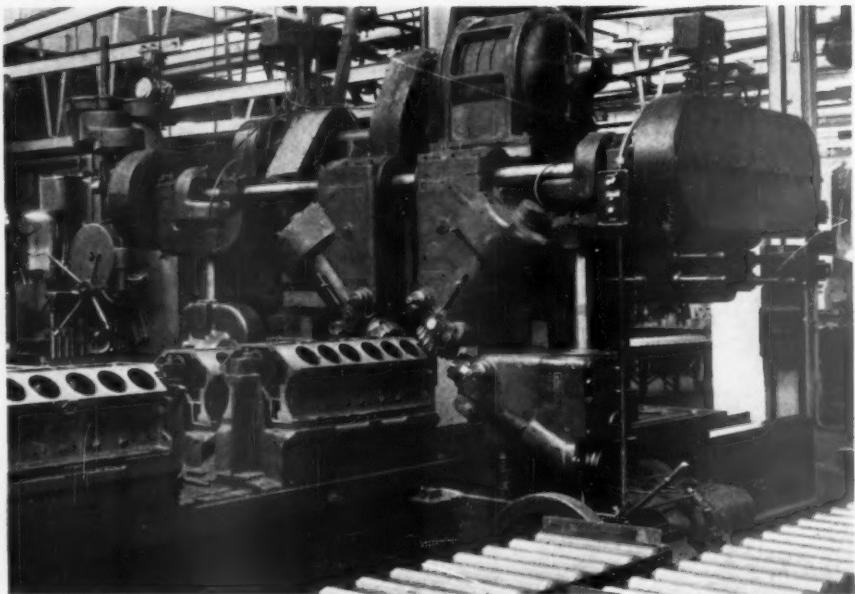
The advent of the motor car paved the way for development of the rubber industry. It was responsible for the opening of vast new oil fields; the building of mammoth refineries. The natives of far away Brazil and the islands of the East Indies were put to work gathering caoutchouc and cultivating thousands of acres of rubber plantations. Mines of every description were taxed to capacity to meet the needs of this growing giant. The coal miner of Pennsylvania and West Virginia found his services worth double the wage scale to which he was originally accustomed. The copper miners of Superior and Montana sprang into prominence as the product of their labors flowed in a steady stream to the great motor car plants of Detroit, Buffalo, South Bend and other centers of this flourishing industry. The steel industry found

in automobile production its greatest benefactor; railway systems added new rolling stock as trainload after trainload of incoming materials over-taxed transportation facilities. Highway contractors and their men worked with feverish haste to build hundreds of thousands of miles of new, improved highways. Cement, asphalt, brick and other materials used in highway and street construction, found a new market, a market vastly greater than all previous markets combined.

So it was that the automotive industry, fettered with adverse public opinion at the beginning, eventually grew to its present commanding position. Forty-eight states reap both direct and indirect benefit from this great business enterprise.

#### EVOLUTION

The surge of cars on the streets and highways is visible evidence of the progress that has taken place in the last ten years. A car that is six or seven years old looks strangely out of place — seemingly



MULTIPLE MACHINING OF BLOCKS

a creation of another generation. Manufacturing and engineering progress has kept a steady pace in spite of an era of suppressed business activity.

Behind the scenes in the great motor car plant, engineers and production men are still pioneering new features, working unceasingly, employing new methods.

Let's step behind the curtain of one of the country's oldest and best known motor car manufacturers, the Pierce-Arrow Motor Car Co., of Buffalo. This organization, founded in 1901, soon won worldwide recognition for the excellent automobiles it produced. It established a reputation that has endured down through the entire span of the industry.

The heart of the automobile, of course, is the motor. In the experimental engineering division at Pierce-Arrow, there is to be found a crew of engineers and expert mechanics working day after day, week in and week out, improving engine performance; building stronger frames; devising new and safer braking systems — every step aimed to give the motoring public greater satisfaction and economy. Metallurgists are continually experimenting with new alloys, new combinations and new heat treatments.

#### PRECISION

In the great motor plant, hundreds of fine precision manufacturing processes are accountable for a better automobile. In one isolated section is found a specially constructed device used in balancing the crankshaft. This machine practically duplicates a seismograph and is so delicate that a piece of chewing gum the size of a pin head on any part of the frame would entirely ruin the instrument. Even the human breath on the machine will throw the indicator into wild

vibration after the crankshaft has reached balance. So accurate is the machine that the amount of unbalanced metal in the entire crankshaft weighing 95 pounds is less than three grams.

Every precaution is taken to see that men working on these machines have plenty of time to rest. So precise and nerve racking is the operation that the human nervous system will not stand up under its stress for any length of time. An exacting process? Yes, but it means smoother engine performance, longer car life and added motoring pleasure for the owner.

#### CARE

Down the line, connecting rods are being machined. The finish boring of crankshaft and camshaft holes is done with genuine diamonds and is held to two one-millionths of an inch for size, out of round and taper. A little farther ahead is an inspection operation to check any bend which may be in the rod. A special gauge used for this purpose multiplies the error eight times, the limit of this multiplication is held to  $1\frac{1}{2}$  thousandths, giving an actual possible error of approximately two-tenths of one-thousandth. Any rod that shows error beyond this is rejected.

#### ALIGNING WRIST-PINS & CONNECTING RODS

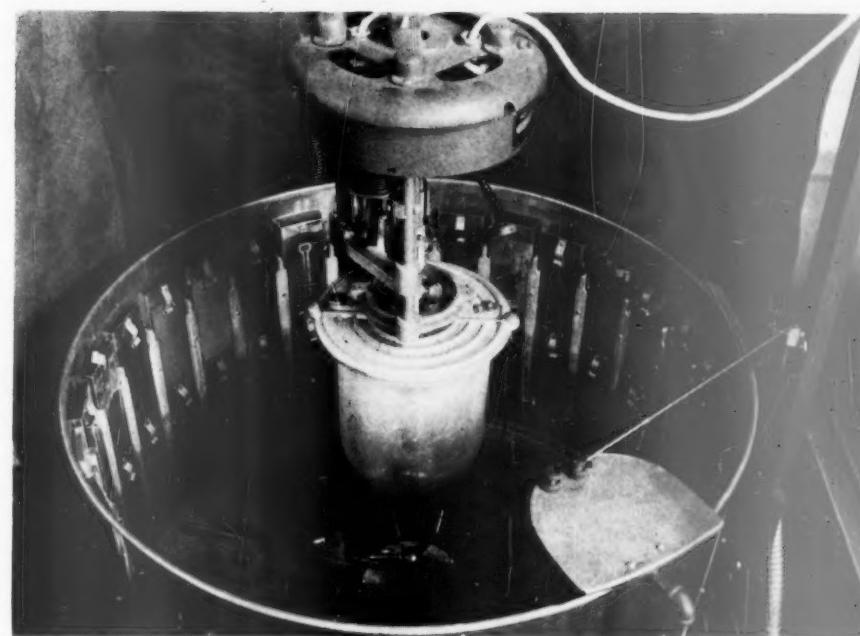


and scrapped. No Pierce-Arrow connecting rod is ever straightened because there is a possibility of its returning to its original shape after it reaches operating temperature in the engine.

Pistons are sized in tenths of thousandths and sorted for weight in fractions of an ounce. Every individual piston is fitted to an individual bore and all pistons in one engine are held to exactly the same weight.

#### CHECKS

All of this extra work might be easily eliminated but there would be a certain penalty in the measure of fine performance of the finished engine. The piston rings themselves are subject to three distinct inspections. First, they are checked for roundness by means of light rays. A ray of light will penetrate an opening one-thousandth of an inch and it is to this limit that the rings are checked. Whenever a ray of light appears in any point around the entire periphery of the ring, that ring is immediately rejected. Second, the rings are checked for flatness in the same manner, again utilizing light rays. Then a specially designed scale measures the wall compression of



WEATHEROMETER — WEARS OUT PAINT

the ring to insure that every ring in a Pierce-Arrow engine has exactly the same compression.

Piston pins are checked for diameter, by rays of light also. This visible ray moves on a scale graduating in tenths of thousandths. By this means it is very easy to subdivide the thousandths. Pins are held to a limit of two one-thousandths of an inch. This measurement is so microscopic that the

operator must wear gloves. Otherwise the heat of his hands would cause enough expansion in the metal to give an erroneous reading.

#### IGNITION

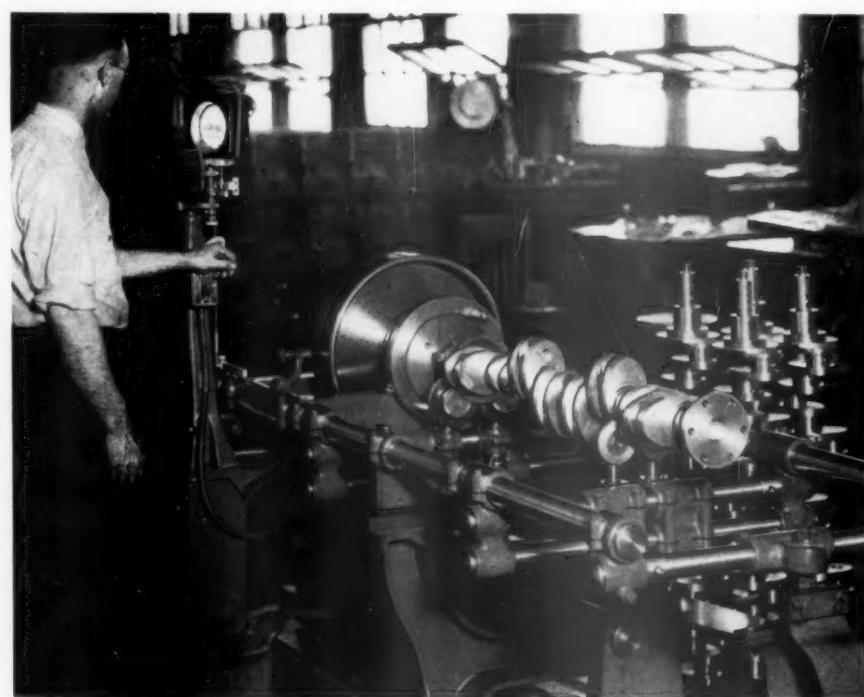
An interesting procedure is the checking of the distributor on a machine known as the synchronoscope. This apparatus consists of a large revolving disc with a stationary outer ring separated from the disc by about  $\frac{1}{4}$  of an inch. When the distributor is rotated, the spark jumps from the outer ring to the inner disc with clear definition. The outer ring is graduated in degrees and the actual timing of the spark is measured in degrees around the circle. Variation in the break of the spark is held to a limit of  $1^\circ$  in the entire  $360^\circ$  of the circle. When a distributor has passed this test there isn't any instrument known to man that could measure the difference in the time of the break of each spark in the entire cycle when the engine is in operation.

Five years ago such accuracy in synchronization of spark control was unthought of. Today it is absolutely essential to fine engine performance.

Volumetric capacity of the combustion chamber and the limit of

*Continued on page 22*

#### CHECKING CRANKSHAFT FOR ALIGNMENT



# Pulse of Business

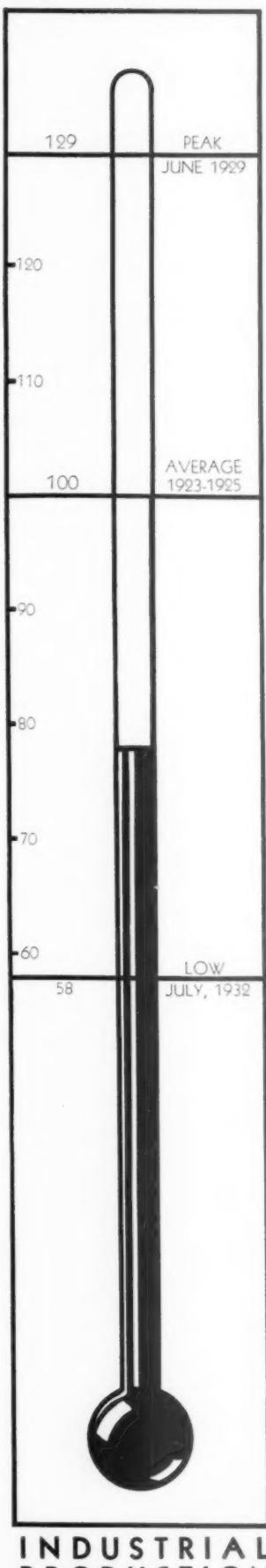
**G**ENERAL business advanced in February and the first part of March at an accelerated rate and latest indexes showed that activity, after allowing for seasonal changes, was at approximately the high level of last summer. Operations in most of the principal industries have expanded recently and comparison with conditions prevailing a year ago indicates that a great deal of progress has been made despite the fact that many further adjustments are needed.

Steel ingot production passed the 50 per cent mark in the second week of March, releases for railroad and structural steel augmenting the large orders from automobile manufacturers. Car-loadings recently have been about 25 per cent ahead of a year ago and eight per cent higher than in 1932, and electric power production was 15 per cent above last year. Cotton mills are active and pre-Easter retail trade has improved. Coal producers have enjoyed an increased demand, because of the unseasonably cold weather and also the increase in freight traffic and general business. Automobile production in February fell short of the preliminary estimate, but March schedules indicate that output will approach 275,000 cars, the highest in several years.

The volume of building contracts awarded in February was down quite sharply from the preceding month because of a reduction in the allotment of federal funds to local projects, but residential and nonresidential awards (other than public works) were larger than a year ago and the total of recent months was far above the corresponding period of the past two years.

While current operating rates have expanded to a large extent in keeping with actual demand there were indications in mid-March that some of the buying was resulting from fear of labor disturbances. This was particularly true of the automobile industry, some branches of which already have had to contend with strikes. Another factor which is causing advance buying is the imminent fear of higher prices.

These seem almost inevitable for one



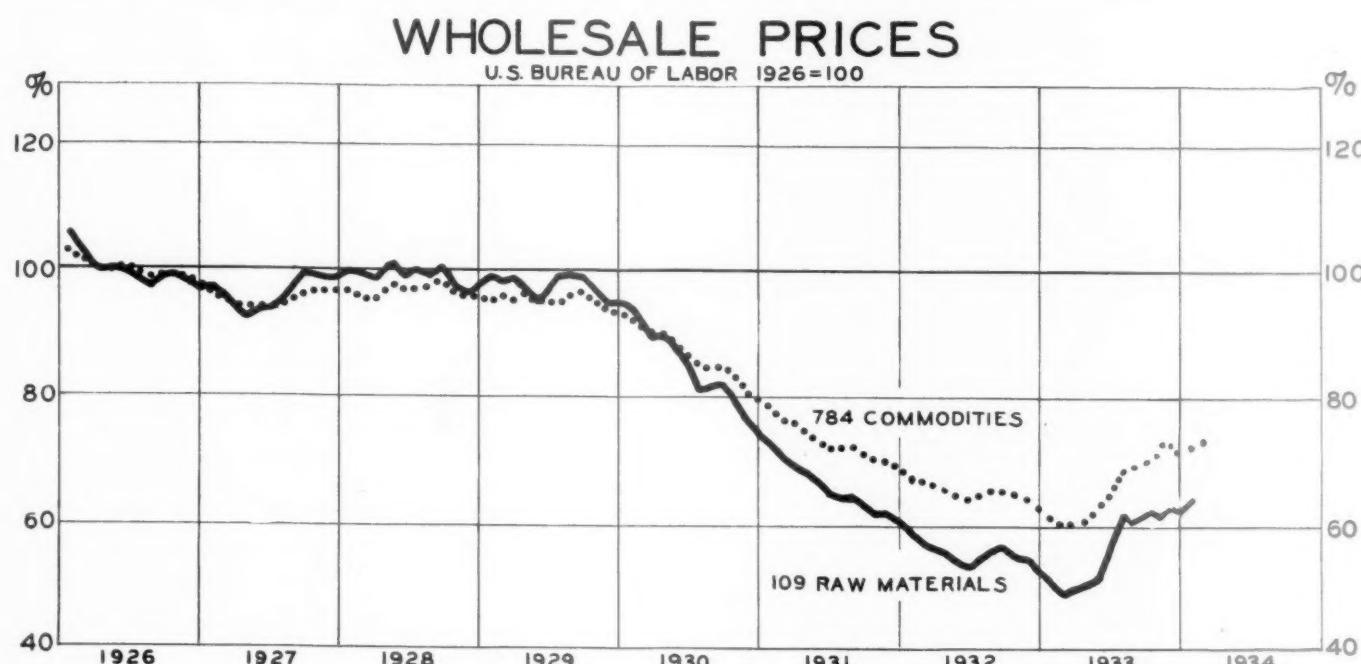
reason, if not for another. The ten per cent shorter week and similar increase in wages proposed by the NRA are expected to raise manufacturing costs beyond the point where they can be absorbed, and higher selling prices are expected. Wholesale commodity prices also have continued to increase for several weeks. The bureau of labor's index is about 25 per cent above a year ago and the increase recently in raw materials has been unusually sharp.

A potential credit inflation of unrivaled proportions is to be found in the excess reserves of member banks. In mid-March, at \$1,213,000,000, they provided a base for ten times that amount of bank credit, but conditions favoring an expansion were still lacking. Bond prices have advanced (under pressure of idle funds and also in response to improved business) to a point where yields on high-grade issues are lower than for 30 years. In view of the low interest rates generally, were it not for the limitations placed on new security issues, the volume of new capital flotations doubtless would be much larger than at present.

There is a shortage of working capital, particularly among small manufacturers, which in some cases is hindering operations on orders actually received, and retarding employment. It has been proposed that a group of intermediate credit banks be formed to supply such funds for a period not exceeding five years. This is but another example of the government entering a private field in an effort to stimulate recovery.

It is clearly evident that government expenditures, to a degree at least, are having the desired effect, for retail trade in the agricultural districts (where payments have been proportionately larger than in other sections) has shown sizable gains from a year ago. The ultimate effect of the continuance of this policy is not considered, but a discontinuance of these payments is regarded with alarm by shortsighted individuals, for general business has not yet improved to the point where the resulting slack can be taken up.

# Commodities



## STEEL

Prices of most grades of steel have remained unchanged and orders for the second quarter are being placed at current levels, but buyers seem to sense an increase, for present quotations are not remunerative and costs are continually rising. Heavy scrap steel is quoted at nearly \$13 a ton, just about double a year ago. Labor costs also have increased and a further advance is indicated.

## COTTON

Cotton has been quoted above 12c a pound recently and prospects of the Bankhead bill limiting this year's production are promising. World stocks of raw cotton are 15 per cent lower than a year ago and domestic stocks are down 22 per cent. With output limited, prices should at least be maintained.

## ZINC

Prices have been firm recently and surplus stocks were reduced about 2000 tons in February to about 110,000 tons. Zinc recently has been selling at 4.40c a pound, but buying in early March was not very brisk.

## PAPER

An improvement in demand for paper, particularly in eastern markets was reported in early March. Fine paper sales have improved, but wrapping paper markets were dull in most sections. Paper prices generally are unchanged, but mechanical pulp prices have advanced recently.

## LUMBER

Demand for lumber has improved, new orders received in the first week of March being larger than for three months and shipments were larger than since September 1933. For the year to date production was 51 per cent ahead of the corresponding period of 1933 and new orders were up 37 per cent in the same period.

## PETROLEUM

Crude oil production in early March was 2,183,300 barrels per day. This was nearly 100,000 barrels below the quota set by the federal agency, but was nearly 40,000 barrels higher than a year ago. Gasoline production has increased recently and stocks are up slightly. Prices show indications of an advance as the spring season approaches.

## RUBBER

Prices of crude rubber have been advancing and in early March touched 12 cents a pound, the highest since July, 1930. Further hope regarding restriction plans and the feeling that this would be a good tire year were factors contributing to the rise. Stocks of crude rubber are ample; consumption in February was greater than in January.

## COPPER

Estimated copper stocks declined 15,000 tons in February due to an improvement in demand and a further reduction is expected in March. Existing stocks of over 500,000 tons in North and South America are still excessive and the industry's code has not yet been formulated.

## COAL

Production of coal in recent weeks has increased sharply due to the pick-up in industry and the unusually cold weather. Stocks have been reduced and prices, while not showing any gain recently, are up sharply from a year ago.

# SHOULD I BUY NOW?

*Or should I wait, and watch the trend of prices?*

by

G. WALTER SANBORN, P. A.

United Engineering & Foundry Co.

PRESIDENT ROOSEVELT has adequately answered this question by revaluing the dollar at 59 per cent of its former gold worth. Immediately after taking office a year ago, he advocated a rise in the commodity price level to that of 1926, and after repeatedly promising the American people that necessary inflationary legislation would be formulated by the administration to bring about this result, he has further insisted that if it could not be accomplished by one measure, it would be accomplished by others, but in any event accomplished it would be. What more or stronger words are necessary to assure us that prices of all commodities are to be considerably higher? Why, then, should purchasing executives even debate the question of whether or not a hand-to-mouth buying policy should be continued?

Such a buying policy should have been discarded six months or a year ago. If ever there was a time when a forward buying policy should be adopted it is now, or better still six months ago before the codes of fair competition were put into practice as provided for by NRA legislation, only one of the many inflationary measures which are helping to raise the level of prices. We have already seen the resultant advance in commodity prices brought about by minimum wage scales and shorter working hours through the functioning of the NRA.

## CAPITAL RETURNS

As a result of the fixing of the new gold parity and no further immediate depreciation of the dollar exchange being anticipated, capital

which flowed abroad last spring is rapidly flowing back to this country again. Speculators are selling pounds and francs and buying dollars. Until American prices rise as far proportionately as the dollar has fallen, the balance of payments arising from ordinary transactions will continue to exert an influence in the same direction, even though import of capital should cease. At present, the profit in selling gold to Uncle Sam is so great that all available shipping space has been taken. The inflow of funds to this country will augment the already gigantic bank reserves lying idle in our vaults.

Banks can not profitably continue much longer to allow capital to remain idle, and will soon be compelled to advance funds for legitimate business expansion and commercial enterprises of every kind. The government has said that it will establish an agency to provide for the lending of capital direct to industry if the banks do not soon loosen up. What other result can such a policy have than higher commodity prices?

## RAILROADS

We have not yet seen the full effect of railroad buying with funds advanced to the railroads by the Reconstruction Finance Corporation. The railroads are badly in need of equipment and maintenance materials. It is expected that approximately 50,000 freight cars alone will be purchased this year by the railroads of the country as compared with an average of only 4000 freight cars per year bought over the last three years.

Neither has the purchasing power

of the PWA projects yet shown itself in full force. In addition to the demands of the railroads and PWA projects there must be considered the demands from the automotive industry as well as the demands for ordinary business and industrial expansion.

## ALTERNATIVES

If the devaluation of the dollar does not result in price increases to the 1926 level, the President can still resort to other and more drastic forms of inflationary legislation to gain this end. We already have the further threat of a 30-hour week which, if adopted, will alone result in a commodity price increase of at least 25 per cent.

A speculative boom in the security markets is already starting which, if history repeats itself, is a fore-runner of a speculative boom in the commodity markets, regardless of whether export business increases or not.

After careful consideration and analysis of all these fundamentals, I consider it good common sense and sound business judgment for the purchasing executive to buy the requirements of his firm for at least six months or a year ahead. A forward buying policy of this character will, of course, vary according to the nature of the business and ability to finance such inventory expansion program. A shortage in certain commodities undoubtedly will occur, and already a shortage in some commodities can be foreseen. It is not unlikely that a buying boom of major proportions will be witnessed within the next six months.

Don't be caught napping!

## PITTSBURGH PUNCH

THE Purchasing Agent's Association of Pittsburgh had a lively meeting on Feb. 20 at the Roosevelt hotel. Under the careful guidance of President Mackensen, H. V. Natcher of the N. B. Suydam Co. and A. C. Brindley of the Pittsburgh Steel Co. presented their ideas on suggested changes in selling methods that would facilitate the work of the purchasing department.

Which, summed up, amounted to an expression of what is the matter with the salesmen who call on them. Ten deficiencies were listed:

1. Too many unnecessary or courtesy calls.
2. Proposition not clearly stated or to the point.
3. Lack of useful information.
4. Vague and rambling correspondence.
5. Lack of information on products and service.
6. Overstatement of facts.
7. Slow acknowledgment of contracts and conditions.
8. Lack of standardized literature.
9. Lack of contacts between executives of salesmen's companies and P.A.
10. Salesmen fail to suggest cheaper grades when those grades would fill the requirements just as well.

Regarding fault No. 4, P.A.'s agreed that replies to inquiries often failed to specify f.o.b. points, terms and delivery.

Fault No. 7 suggested that salesmen be equipped with written verification to deliver when oral quotations were made.

On No. 8, the P.A.'s objected to the many sized booklets and catalogs that permitted of no standard filing procedure.

All would have stopped there had not President Mackensen invited any salesman present to offer rebuttals. Whereupon the fun began and the salesmen's attack led by H. F. Hanks of the Pittsburgh Steel Co. left a lot of red faces and burning ears.

Regarding fault No. 6, Salesmanager Hanks asked if there were a P.A. in the room who did not think that his company made the best product in the world.

And about fault No. 8, he said that the advertising departments of the P.A.'s own companies were busily engaged in preparing grotesque literature. And—if the P.A.'s wanted to do anything about it—they should start reformation in their own back yards.

Whereupon the meeting was adjourned.

## MAYERS' PRIZE CUPS & SPORTS TROPHIES

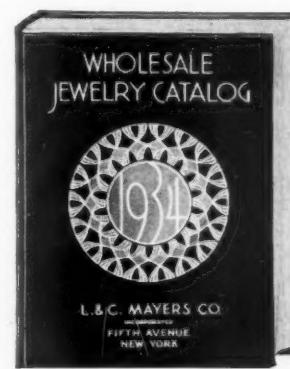
•••  
HEADQUARTERS FOR  
SALES CONTEST PRIZES



**FAME TROPHY**

Furnished with Interchangeable Plaques Representative of any Type of Sport.

Now is the time for business organizations to buy Trophies and Prize merchandise—not alone because awards for winter sports and business contests are now being made, and announcement of prizes for the outdoor season will soon be in order:



— But MORE IMPORTANT — because you can still purchase most trophies from us at present catalog quotations while stock lasts despite the fact the prices generally are higher—due to the increased cost of silver and labor.

**L.C. MAYERS CO.**

INCORPORATED  
DIAMOND IMPORTERS—WHOLESALE JEWELERS

545 FIFTH AVENUE  
NEW YORK

SALESROOMS  
DOWNTOWN NEW YORK 170 BROADWAY  
MAIN OFFICE 545 FIFTH AVE. PHILADELPHIA LAND TITLE  
AMSTERDAM FOREIGN OFFICES ANTWERP



**H**ERBERT B. FOX, purchasing agent of E. F. Houghton & Co., Philadelphia, manufacturer of oils and leather products, was elected a member of the board of directors at the recent annual meeting of the company.

Other directors are Louis F. Murphy, president; Maj. Aaron E. Carpenter, vice president and general manager; George W. Pressell, vice president and sales director; A. E. Carpenter III, secretary, and R. H. Patch, treasurer.

#### C. A. SHERWOOD RETIRES

**O**NE of the grand old men of purchasing, a veteran of 50 years with the Standard Oil Co. of Ohio, an intimate of John D. Rockefeller Sr. and one of the founders of the Purchasing Agents Association of Cleveland, has closed his desk, taken the sign from his office door and surrounded himself with travel folders. Charles A. Sherwood retired March 1 as purchasing agent of the Standard Oil Co. of Ohio. He had held that post for more than 30 years.

Concerning the vari-colored travel literature Mr. Sherwood said, "I think I'll see America for the first time as a traveler."

# LET'S TAKE STOCK

*Continued from page 10*

enough to impress and influence the average investor is a criminal offense, as is the circulation of rumors to the effect that the actions of certain people or groups of people will cause certain securities to rise or slump on the market. Cornering the floating supply of a security in order to jump its price is deemed an illegal practice. No one may be paid to disseminate rumors regarding the future trends up and down of certain securities. Transactions designed to maintain a fixed price for a security are illegal except when approved and permitted by the Federal Trade commission.

The above practices are methods which manipulate directly the prices of securities. Other prohibited methods which distort price movements, but which are not directly manipulative, include: short selling, except by permission of the commission; stop loss orders; put, call and other options to buy or sell a security within a definite time at a specific price.

#### ROOSEVELT

In a recent message to congress, President Roosevelt said, ". . . there remains the fact, however, that outside the field of legitimate investment, naked speculation has been made far too alluring and far too easy for those who could and for those who could not afford to gamble. It is my belief that exchanges for dealing in securities and commodities are necessary and of definite value to our commercial and agricultural life. Nevertheless it should be our national policy to

restrict as far as possible the use of these exchanges for purely speculative operations."

Thus it may be seen that the administration's desire for stock exchange control and regulation is based on a very human element—that the promise of easy money has been the temptation that has led too many people in the past to bankruptcy, dishonesty, disgrace, ruin and too often death. Regulation is recommended for the purpose of removing the lottery and long chance gambling spirit angles of the securities markets.

Although the Fletcher-Rayburn bill was introduced into congress on the day when President Roosevelt made the statement quoted above, the President has constantly reiterated that while he was familiar with the background of the bill, he had not read it, and consequently he neither approved nor disapproved of it.

#### TRIAL BALLOON?

There are rumors, always emphatically denied, that the Fletcher-Rayburn bill will not come up for vote this session. On March 7, the President said he expected congress to pass stock market legislation during the current session. There is a prophecy that the Fletcher-Rayburn bill is serving its purpose in taking the pulse of the people, and its findings will form the basis for another bill designed to regulate national securities exchanges.

And there is a third rumor, equally persistent, that labels the Fletcher-Rayburn bill as an intentionally extreme and drastic measure, showing to what lengths the government might go in this business of regulation, which is paving the way to insure enthusiastic and wholehearted acceptance and cooperation of Big Business towards a less drastic measure of control to be offered in congress later.

#### GOT YOUR TICKET YET?

For the N.A.P.A. Convention, we mean. Of course it's early yet, but when you're ready we will make reservations for you on your favorite railroad. Just drop us a line.

# THE ELECTRIC EYE IN PAPER MAKING

**T**HE Parsons Paper Co. of Hol-  
yoke, Mass., is now localizing  
watermarks by means of the photo-  
electric eye.

Ordinarily, the watermark in a  
letterhead or document is apt never  
to appear in the same spot in two  
successive sheets.

For those who have wanted their  
watermark to hit somewhere near  
the same position in every sheet,  
the best approximation to such  
localizing came through wearisome  
watchfulness. The method was to  
set the cutting knife in correct re-  
lation with one watermark in the  
roll of paper, and then to watch it  
like a hawk to see that as the roll  
unwound the sheet didn't "creep"  
ahead of the knife or fall behind.  
This creep affected the accuracy,  
and the degree of creep determined  
the frequency of awkward correction.

But the introduction of the photo-  
electric eye reduces the localizing  
of watermarks to mechanical pre-  
cision and uninterrupted uniformity.

## SIGNAL

The mechanics of the new method  
goes something like this: A series  
of "signal spots" (which may be  
dark or light spots *in*, or colored  
spots *on* the paper, or holes sucked  
*into* the paper) are worked on to  
one edge or selvage of the web; or  
the watermark itself may be used  
instead of spots worked on the  
edge of the paper. These "signal  
spots" are spaced in exact re-  
lation to the watermarks. Thus,  
through expansion and contraction  
of web, or through atmospheric in-  
fluences on the paper, the "signal  
spots" on the edge maintain con-  
stancy of relation with the water-  
marks in the body of sheet.

In a web, say, 88 inches wide,  
the jumbo roll may be slit into four  
22-inch rolls on the cutter, all four

rolls proceeding with watermarks  
in perfect original alignment, the  
right-hand roll (call it master roll)  
carrying the "signal spots."

Now comes the dramatic point.  
Bolted to the cutter frame, and  
perched just above the right-hand  
edge of the right-hand roll, is the  
photo-electric cell, or eye, whose  
light beam is the hero of the story.  
According to mechanical hook-up,  
the beam may be "flagged" as it  
goes through a hole, or as it is  
blocked. In either case, the instant  
it is "flagged" it activates the cut-  
ting knife by magnetic contact.  
The four 22-inch rolls are cut  
simultaneously.

## ACCURACY

In short, the watermark deter-  
mines the position of the "signal  
spot," the "signal spot" times the  
knife; therefore the watermark  
times its own cutting. Uniform  
localization of mark in all four  
rolls is thus attained within a maxi-  
mum tolerance of  $\frac{1}{8}$  inch of abso-  
lute accuracy. The mechanical ac-  
tion is so quick that the cutting  
knife cuts through the *center* of  
the "signal spot" just as a base-  
ball pitcher would "split the plate"  
with a perfect strike.

With watermark localizing thus  
reduced to a science, our banks,  
insurance companies, corporations  
and other houses of issue for bonds,  
stock certificates, policies, etc., will  
have greater protection against the  
forger. In fact, with the eye's as-  
sistance, all legal and commercial  
papers take on a greater degree of  
protection. This holds true espe-  
cially when the house of issue has  
its own watermark localized.

In making special runs of impor-  
tant documentary or commercial  
papers, the Parsons mill provides  
the same sort of protection for  
every sheet, every scrap of waste,  
as government currency paper re-  
ceives while in the paper mill.

## You've Read Testimonials!

What do you think  
of this one from a  
large steel plant?

●  
*"The saving in rebuilding  
and repairs more than  
offsets the difference be-  
tween the price of stone  
and any other materials  
used."*

●  
They are talking about  
cupola, soaking pit,  
ladle and convertor  
relinings of

## BUCKEYE SILICA STONE

A natural fire resisting  
stone made and made  
RIGHT by old mother  
nature.

●  
**Mr. Purchasing Agent:**  
Send the coupon and sur-  
prise your superintendent.

## THE CLEVELAND QUARRIES COMPANY

CLEVELAND • OHIO

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City and State \_\_\_\_\_

# CONTROL OF QUALITY

*Continued from page 15*

travel of each individual piston is held to limits so accurate that there is never a variation of more than the equivalent of ten drops of water in any of the chambers.

## MOTORS

After scores of other intricate manufacturing processes and hair-splitting tests for accuracy, the individual units are assembled in the engine ready to be subjected to the friction load test. In this test a special dynamometer stand is used and the engine is run for a period of  $4\frac{1}{2}$  to 5 hours, pulling a load five times greater than will ever be required of it in service. In fact, it practically duplicates a seven-passenger sedan fully loaded and anchored in sand up to the axles with the engine turning over 3000 revolutions per minute. When this test is made, the exhaust manifolds and the exhaust pipes are red hot — a strenuous test, but it insures that the engine will do anything that is required of it in actual service in a car.

Pierce-Arrow engines are taken to the silent room to be tested for a period of  $2\frac{1}{2}$  hours. Every

### Checking Axle-True



power plant must produce the rated horsepower and must operate quietly and efficiently at all speeds up to 4200 r.p.m.'s. Periodically, research engineers choose two or three engines at random and subject them to special tests in an effort to determine any possible deficiency that may have crept into manufacturing standards of operation. On other occasions, engines are placed on dynamometers and run at terrific speeds day and night until something finally breaks. Five years ago an engine which ran 50 to 75 hours in such a test was considered extraordinary. Today it is not unusual for engines to run 350 to 400 hours without breaking down. That in itself indicates the measure of improvement that the last few years have wrought.

## BODIES

Equally important in the construction of the motor car is the infinite care exercised in body building. The Pierce-Arrow body plant long has been manned by crews of expert coachcrafters — men, some of whom gained their first experience back at the beginning of the century — skilled artisans who learned woodworking in the shops of famous builders of horse-drawn hearses.

The wood used in Pierce-Arrow bodies is clear northern white ash, specially selected from the finest forests on the continent. It is seasoned and dried in Pierce-Arrow's special humidity kilns. The seasoning operation ordinarily covers a period of more than three months.

## TOLERANCE

Following machine shop practice, wood parts are machined to extreme accuracy and are checked on special receiving gauges. The greatest variation permitted in the machining of wood parts is plus or minus  $\frac{1}{64}$  of an inch. This is practical assurance that the com-

pleted frame will not be subject to the strains or stresses that are ordinarily set up in any unit of the body. All parts are coated with special moisture-proofing and preserving compound, that they may resist the actions of fungus growth or insects common in tropical climates. This treatment so effectively protects the wood that immersion under water for a period of six months does not injure it in any way.

Body panels are made from finest quality deep drawing stock and are assembled by means of electric arc welds. Following airplane practice, the bodies are insulated with Seapak, a material originally developed to sound-proof and weather-proof cabins of great transport airliners. This material is made from Kapok gathered from the Ceiba tree of Java. The insulating efficiency of Seapak is 50 per cent greater than any other commercial insulation material known to science today.

## FINISHES

Exterior body finish in recent years has undergone many improvements. In the finishing process of

### Precision-machined Body Stock



a Pierce-Arrow body there are a total of 58 operations interspersed with repeated inspections at all points. The undercoats are slow-drying oil types selected for their ability to withstand wear and weather elements. Only high solid laquers are used, although the cost is approximately double that of ordinary laquers. As many as 14 gallons of paint are required to finish a Pierce-Arrow body. This quantity is three times the amount commonly used in finishing cars.

All laquers are thoroughly tested in an ultra modern laboratory. A Weatherometer machine is used to duplicate exposure to the atmosphere. A period of 500 hours under this machine will duplicate the action of weather and the sun's ultra-violet rays on the laquer finish that would result from actual exposure to the weather for two solid years. Specially designed lamps are utilized in checking color shades while refrigerator humidity cabinets and salt sprays duplicate the conditions found in any latitude on the globe. Other machines are used to show the effect of collision, stretching and friction on the finished surfaces.

#### RESEARCH

Scores of other inspections and improved manufacturing processes are brought into action during the course of construction of a Pierce-Arrow automobile. New machines are continually under development and a corps of expert designers is busily engaged in the creation of mechanical facilities that will contribute to accuracy in production of the various units of an automobile.

This, of course, requires space, so much additional space in fact, that 300 production cars could be turned out in the Pierce-Arrow

#### AIR, BUS OR BOAT?

June will find 'em all crowded with P.A.'s, Convention bound for Cleveland. Better let us reserve space for you. Just drop us a line.

plant every day. However, the strict inspection and the precision operations in the creation of a Pierce-Arrow motor car make it possible to produce only 50 cars a day. However, the painstaking precaution exercised in the building of a fine car is not without recompense.

Last August, on the Salt Beds of Utah, Ab Jenkins, Pierce-Arrow experimental engineer, drove 3000 miles in 25½ hours, averaging 118 miles an hour. In this event he captured 14 world's unlimited records and 14 international class records, to say nothing of some 70 other American records that fell before his assault on major speed marks.

The records captured by Jenkins were merely incidental. His chief objective was to find the limit of endurance of his car under actual driving conditions. The results of this and thousands of other experiments mean better automobiles, safer and more dependable transportation that creates wider acceptance of the motor car, more production, more sales and, in consequence, a better livelihood for the five million workers who are dependent upon this industry.

## International Portfolio

**INTERNATIONAL PAPER CO.,** New York, has just released a series of portfolios illustrating the uses of the company's nationally advertised mill brand papers. Each individual specimen is done on the particular brand of paper it describes.

The portfolio demonstrates the versatility and adaptability of the various brands for use in circulars, booklets, broadsides, stuffers, enclosures, catalogs, letterheads and similar stock.

An unusually wide variety of paper stocks is thoroughly described and illustrated. Electro-types of the illustrations used in the portfolio may be had from the nearest distributor of International paper at nominal cost.

100 PERCENT RAG  
Fidelity Onion Skin

A Leader Among  
THIN PAPERS

FIDELITY  
ONION  
SKIN

Recommended for

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- Legal Documents
- Insurance and Bank Records
- Inter-office and Foreign Mailings
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THIN PAPERS BY  
ESLEECK

This Book  
FREE  
on Request

ESLEECK MANUFACTURING  
COMPANY  
TURNERS FALLS, MASSACHUSETTS

## STANDARDS GONE ASTRAY

*Continued from page 6*

(3) Standard packing, no case permitted other than those containing 24 or 48 cans. The first provision is wholly desirable; the third, primarily a simplification measure, is acceptable though rather severe as an item of criminal law. The second deserves closer attention.

### EXCLUSIONS

As originally proposed it would have outlawed any packing other than the 13-ounce can—an absolute, rather than a maximum quantity standard. It corresponds to general, but by no means universal practice. Cans of eight and 16 ounces have had wide acceptance in many markets. The first proposal would have taken the 8-ounce (five cent) package completely out of trade, though it is permitted under the present maximum clause. The prohibition of the 16-ounce can is dictated by the fear of chiseling through giving three extra ounces for a dime "unfair" competition, though the sale of the larger can

has been a consistently profitable operation.

The effectiveness of this move is open to question, for there is nothing in the code and nothing in retail grocery practice abhorrent to the idea of charging seven cents or eight cents instead of a dime. There may be a psychological effect in preventing the visual comparison of the two sizes of cans on the storekeeper's shelves.

But consider a sidelight on the situation. One of the important markets for this product is the domestic manufacture of soap in rural districts. The household formulae are generally expressed in terms of pounds. Convenience and common sense dictate the use of an even pound package. Under our system of weights and measures, 16 ounces is the natural unit. No one has indicated exactly how the housewife was expected to measure a pound out of thirteen ounce cans. Under the revised arrangement she can of course use two eight ounce

cans, but the whole procedure seems of dubious value. It is just another case of standards gone astray.

### MAXIMUMS

When it is permitted to exceed the maximum specification, it is common practice to exact a competitive penalty in the way of price. A typical clause: "Any member of the industry may make a product of higher quality than any defined in the specifications adopted, and in that event shall sell such product at a proportionately higher price than his filed list, which shall truly reflect the increased cost." Since the specifications in this case are directly related to retail price the conclusion is obvious.

Or take the case of automobile tires. The code authority is required to obtain "standard specifications for the Industry covering cross sectional diameters, anti-skid depths, total tread thicknesses, and such other specifications as in their judgment will standardize manufacturing tolerances within the Industry. When these standards shall have been submitted to the Industry and approved . . . any deviation in the manufacture of any tires beyond the maximum so established shall constitute an unfair trade practice unless such tires which exceed these specifications shall be sold at a proportionately higher price which truly reflects their higher cost."

### GUARANTEES

The most unfortunate application of maximum standards, however, appears in the limitation of allowable guarantees. A guarantee is in effect a performance standard, in many respects the most satisfactory form of standard from the buyer's angle. Many a successful business has been built on the warranty of service justified by a superior product. Hundreds of thousands of dollars have been spent in advertising to impress upon the minds of prospective customers the advantage of that extra service or security. It is a matter of immedi-

COLOR-FAST MACHINE — HEAT KILLS POOR DYES



ate and measurable value to the buyer.

I have conscientiously but vainly tried to discover any unethical feature in honestly promising to deliver a certain measure of service when the seller can reasonably expect to fulfill that promise and is willing and ready to compensate for any occasional lapse or shortcoming. He assumes an obligation for which he is answerable in the courts; any considerable failure to meet the stated quality or performance would not only undermine his reputation and good will in short order, but would necessarily entail an intolerable burden of expense, which would quickly be reflected in additional costs and prices.

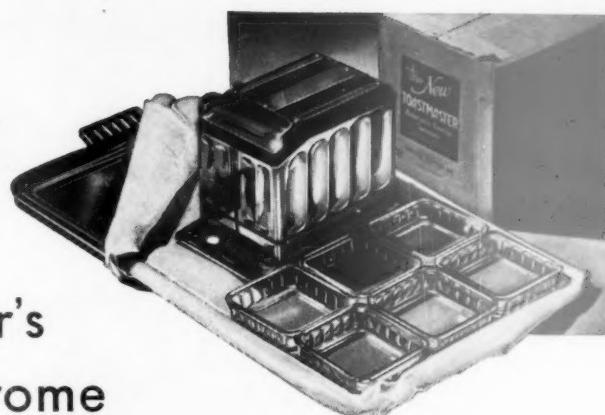
Yet code after code forbids its members to offer any warranty in excess of the "standards" for the industry, which must of course be geared to the minimum performance, not even the average, for the industry, if it is to be at all workable.

#### HUMOR

In effect, then, while it may not be a crime in such cases to produce goods of superior quality, it is criminal to tell anyone about it. That seems contrary to the much-publicized policy of "business in a goldfish bowl" under which we are now supposed to operate. Understatement is said to be an Anglo-Saxon virtue. It is also the basis of Anglo-Saxon humor. Grim humor, indeed, when it deprives a firm of its principal and entirely legitimate sales argument and denies to the buyer an important means of judging values. And still, to mention a few specific cases, building materials which can be (and have been) guaranteed for from five to ten years are now warranted for only two; mileage ratings are slashed from tires; free service periods are cut from 18 months to 90 days.

While on this subject of guarantees, let us refer to an interesting case that was cited at NRA's public conference, March 1. One of the popular theories advanced re-

# HOW Kimpak CREPE WADDING protects Toastmaster's lustrous chrome



**P**ACK glass condiment dishes with a highly polished chrome tray? It will be ruined by mars and scratches! When it marketed the new Toastmaster Hospitality Tray, the Waters-Genter Co. of Minneapolis, faced a serious problem. Where was a material that was soft, durable and yet not expensive? The answer was found in KIMPAK, a soft, resilient, fluffy crepe wadding—free of dirt, grit and foreign substances. After thorough investigation this concern adopted KIMPAK because it gave such great protection and because of its economy of use. Many other companies are using KIMPAK for protecting against damage from shipping for a wide variety of products.

KIMPAK comes in rolls, sheets and pads of various thicknesses—plain or backed with Kraft to meet every need.

Write today for free sample. Use coupon.

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Neenah, Wisconsin.

Address nearest sales office: 8 S. Michigan Ave., Chicago; 122 E. 42nd St., New York City; 510 W. Sixth St., Los Angeles.

Please send us sample and full information on KIMPAK.

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**NEENAH, WISCONSIN**

garding code provisions has been the fear that code minimums may prove, in practice, to become maximums. Labor has been volatile on this point in regard to minimum wages; industry professes the same fear in regard to minimum prices. What about guarantees?

#### BATTERIES

The Electric Battery code sets forth in explicit terms the following guarantee:

Every storage battery shall be covered by the following standard guarantee and no battery shall be covered by an adjustment policy for periods longer than are provided for in the following standard Adjustment Policy.

*Standard Guarantee.* — The manufacturer agrees to repair or replace at his option, for the original user, f.o.b. factory, or at any authorized Service Station, without charge, except transportation, any battery of his manufacture which fails to give satisfactory service within a period of 90 days from date of sale to the original user.

*Standard Adjustment Policy.* — The manufacturer further agrees, after ex-

piration of the 90 days' guarantee period to replace with a new battery on a pro-rata basis for the original user, any battery which fails in normal service. Normal service is considered not to exceed the following:

etc. etc. etc.

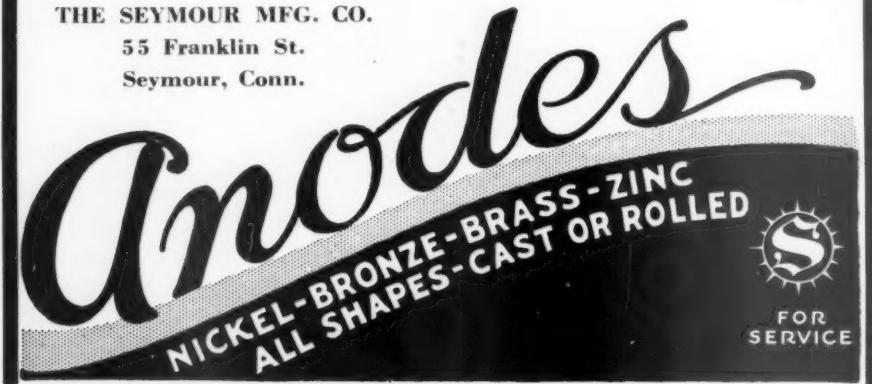
The crux of this agreement lies in the second paragraph, embodying the specific guarantee. I have read it a score of times, and if I understand the English language this provision calls for a mandatory (i.e. minimum) unconditional service guarantee of 90 days, supplemented by a limited (i.e. maximum) adjustment policy running from eight to eighteen months according to the type of battery, the type of service, and the manufacturer's option of curtailing that period. But in the alchemy of code administration it appears that the minimum has indeed become the maximum. A Providence, R. I., manufacturer, relying on a literal interpretation of the clause, and desirous of continuing his estab-

# SEYMOUR

● The firm, homogeneous grain and uniform quality of SEYMOUR ANODES insure even corrosion and even deposit until completely consumed. . . . For economy, make "Seymour" your permanent source of supply.

THE SEYMOUR MFG. CO.

55 Franklin St.  
Seymour, Conn.



lished and wholly practicable business policy of a 15 months guarantee, testifies that he has been cited as a code violator for exceeding the minimum period!

#### LABELING

In view of the recurrence of such provisions and the possibility of similar bizarre interpretations, the buyer's interests demand a code program which goes beyond the mere endorsement of quality standards and which will place fresh and insistent emphasis on quality labeling. For reasons not entirely clear, this latter principle is not embraced by producers with any great demonstration of affection. Perhaps it savors too much of the competitive system. But it appears eminently fitting to these astigmatized eyes that when we strike the phrase "Laissez faire" from our business dictionary, we might well afford the same treatment to the phrase "Caveat emptor."

If we are to proceed on the principle of letting each man in indus-

try know what the other fellow is doing, we might consistently let the buyer in on the secret of what he is getting.

The standard clauses against misbranding, false and misleading advertising, are steps in the right direction. Could we not profitably use the positive approach? "Thou shalt not" is the language of the ancient dispensation.

To this end, a new clause has been formulated, suggested in many instances; recently accepted in a few. It reads:

Within one month after the effective date of this code, the Code Authority shall appoint a committee so constituted as to give due consumer and governmental representation, to make a study, with a view to the establishment within one year following, of classifications and standards of dimensions, qualities, and the labeling of the products of the industry wherever such standards are deemed feasible. It shall be an established policy that the standards so established shall be submitted at the earliest possible date for general approval and

promulgation through the procedure of the American Standards Association, the National Bureau of Standards, or any other standards body now existing or to be established, which will guarantee both governmental and consumer representation in the final drafting and promulgation of the standards.

In a sense this is postponing the issue as it applies to the specific case. Experience indicates that in many cases such postponement and later mature consideration are infinitely preferable to hurried and ill-considered acceptance of ready-made clauses that seek to hold the halo of the holy word "Standardization" over provisions that are in fact highly restrictive and prejudicial to the buyer.

#### GUIDEPOSTS

The guiding principles to be observed in such a sound standards program are six:

1. Quality standards should be supported by an understandable and enforceable labeling system. In many cases scientific and technical information is available for immediate action along this line.

2. Quality standards are a buying tool. They make for intelligent comparison and convenience in use. Without them, prices, whether uniform or competitive, have little significance. Successful standardization procedure, as exemplified by such organizations as the American Standards Association and the Bureau of Standards, recognizes consumer participation as an essential element in their drafting. This is not contrary to the principle of self government in business, but an aid to intelligent business conduct. The clipper ship traders and wagon peddlers of an earlier day offered what they had in their stock and bartered to the best advantage, but modern commercial success is based on an intimate knowledge of the buyer's requirements. Sound practice therefore dictates that consumer and public representation be insured in the formulation and administration of all grading and labeling systems, and that no man-

datory standard should be established over the veto of such representatives.

3. Standards should be so drafted as to permit a continuous process of development, to promote rather than to freeze technical and commercial progress, to avoid penalizing individual specification and "custom" manufacturing to meet particular requirements, and to allow the freest possible choice to the consumer on matters of individual taste or fashion.

4. Minimum standards should be based only on factors of health or safety, deceit, and fixed price. Beyond this, absolute prohibition of grades should be permitted only when it is definitely shown that such additional varieties would unduly confuse the industrial picture and advance costs of production and sale disproportionately. Non-standard goods should be identified as such, and with respect to their own qualities.

#### EFFICIENCY

5. Within the limits noted above, no standards should be established which do not promote greater efficiency of production and distribution. In no case should warranties be limited below the point of reasonable and economical fulfillment as justified by the manufacturer's experience, judgment, and business policy.

6. When standardization in a given field is inherently monopolistic, governmental supervision is essential to the public interest.

The New Deal properly recognizes the fundamental interdependence of all business. In practically every code problem, men of industry become acutely aware of their dual relationship and interest as supplier and as customer, and must reconcile, as best they can, conditions which may frequently seem contradictory. They wish to manufacture and to buy on the basis of standards; that desire is shared by those to whom they sell. Common sense demands that the

**One item that CAN'T be bought on PRICE ALONE!**

## SAFETY EQUIPMENT

Safety equipment is bought for only one purpose . . . PROTECTION! No matter what you pay, unless your workers get complete protection . . . your money is wasted!

All safety equipment bought from PULMOSAN carries assurance of effective protection for its particular need. PULMOSAN Safety Equipment is standard in many of the largest industrial plants. Buy from PULMOSAN . . . and be SAFE!

• Write for free of safety literature.

PARTIAL LIST:  
**RESPIRATORS**  
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**MASKS**  
**SAFETY CLOTHING**  
**FIRE FIGHTING**  
**FIRST AID**  
 ETC.

**Pulmosan Safety Equipment Corp.,**  
*"EVERYTHING for INDUSTRIAL SAFETY"*  
 178 Johnson Street, Brooklyn, N. Y.

right hand should renew its acquaintance with the left.

Competition has not yet been completely relegated to the disbar. Business is still pretty much of a two-fisted battle. It will be an unhappy moment when some company, or perhaps an entire industry, as buyer or as seller, finds one hand tied behind its back through the operation of an ill-considered and restrictive standards clause.

## 100,000,000 STEP-CHILDREN

*Continued from page 12*

in the report are the following (the present author's comments in each case follow in italics):

"The organization of the National Recovery Administration includes the consumers as one of the three groups *in whose interest codes are drawn.*"

(No person informed on NRA code operations will need any comment to reinforce the italics above, which are mine.)

"The development of inferior quality 'fighting brands' of nationally advertised commodities . . . further confuses the situation for the consumer."

*Fighting brands may be of exactly equal quality; it may be cheaper for a manufacturer or distributor to offer two brands of the same quality than to take the trouble to differentiate them except by label or brand name.*

#### STANDARDS

"The competitive situation which industry and retailing face is such as to render it difficult, if not impossible, for the maker or seller of a commodity to

*Continued on page 28*

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## JOIN YOUR NEAREST ASSOCIATION

THE National Association of Purchasing Agents has, from the day of its inception to the present time, a unique and unparalleled record of service to its members and to industry. It has promoted in a large way the development of improved methods in purchasing, and the adoption of such methods in practice — covering the entire field from details of office procedure and equipment, such as forms, files and records of various kinds, to adequate study of market factors such as price trends, production, consumption and supply statistics, thus enabling the modern Purchasing Agent to conduct his operations more economically and efficiently, to the great benefit of the business he serves.

It has done significant work in raising the standard of ethics as affecting the work of the Purchasing Agent in his own field, as witness the N. A. P. A. Principles and Standards of Purchasing Practice, and improved the relationship between buyer and seller by the adoption and promotion of the Code for Buying and Selling. Progress along these lines has been slow but steady, and always onward, and has been accomplished only by the expenditure of great amounts of time and money over a period of years, and by personal sacrifice on the part of the leaders of our Association who have given freely and unselfishly of their best to this work. It is only by comparing conditions today with those prevailing a few years ago that we can realize fully the great progress that has been made. Such a comparison should make us proud of our accomplishment and justify our faith in still greater results in the future.

JOHN R. WHITEHEAD, Director of Purchases,  
Fairbanks, Morse & Company.



The Executive Purchaser is not the official organ of nor in any way connected with any association, but it subscribes to the ethics and principles of the National Association of Purchasing Agents. You are urged to join and your inquiry to this office will be promptly forwarded to the association secretary nearest you.

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## 100,000,000 STEP-CHILDREN

*Continued from page 27*

exercise much initiative in elevating standards far beyond current competitive practices."

*If this were true, it would be impossible for a college or university to give an outstandingly better course in economics or structural engineering than its neighbor or competitor. The board's committee ignores or blinks the real reason, which is the consumers' ignorance of the necessity of standards from his own standpoint and of the pressure which they would exert upon manufacturers to enter into active, rather than merely nominal price competition with each other.*

"It requires the authority and prestige which Washington alone can give, if existing scattered work is to be coordinated and new work driven ahead."

*Perhaps the board's committee refers to the prestige of the Shipping board, the Radio commission, the*

Bureau of Mines, the Office of Education, or the Post-office Airmail Service!

### OVERSIGHT

"Hitherto, the functions of the government in relation to its citizens in their capacity as consumers have been largely overlooked, while its services to industry have been steadily augmented."

*The board does not mean overlooked. The board means neglected, and the neglect is deliberate; several of the most important bureaus concerned have been importuned to provide these services since 1927, and several books and articles strongly urging the adoption of this point of view in the government service, have reached a very large circulation.*

"Provisions calling for the use of standards and grades have been proposed for the following codes and marketing agreements." [Here follows a list of 13, including the California Canned Cling Peach Agreement, the Florida and Texas Citrus Agreements, Grapefruit Canners Marketing Agreement, the Egg and Poultry Industry Code, and the Coffee Industry Code.]

*It would be not only helpful but important in a very high degree to indicate what results followed the proposals. The information which has reached us to date would indicate that in not one of the 13 cases of codes and marketing agreements has anything corresponding to effective or, from the consumer point of view, significantly useful, standards of grade or quality or designation been established.*

"The meat grades are more understandable to the merchant than to the consumer."

*This sentence would have been informative and correct if it had been written: The meat grades were intended to be more understandable to the merchant than to the consumer, and the desired result was achieved by the Department of Agriculture, which did the work as usual in such cases in cooperation with meat-producing interests.*

### SESAME SEED

"The standardization work of this bureau [bureau of Home Economics] differs from that of other government agencies in that it has always been approached from the consumers' standpoint."

*My comment on sesame seed and Iceberg lettuce sufficiently characterizes this statement.*

Two commodities on which "standards . . . have been pushed to some kind of settlement" are asserted to be gas equipment and ice refrigerators.

*The statement misleads by its failure to state that on the gas equipment project the standard was dominated by the American Gas Association which decidedly does not have a consumers' interest in the standard, and that in ice refrigerators, the standard is not a standard, in the ordinary sense of the word, but only a standard method of test which is only the*

Post-

first halting step toward providing a consumers' safeguard.

In answer to the "accumulated need for standards faced by 30,000,000 families" the board proposes a fund of \$315,000 for administration and research, which affords in the first year one cent per family to catch up in the field of consumers' standards, totally neglected up to this time, from the founding of the Republic in 1776.

These are but a few examples of many in the report which represent misstatements or mistaken emphasis or suppression of necessary facts in judging the situation with respect to consumers' standards and their present stage of development.

#### CONSUMERS BOARD

The Consumers' Advisory board is at most advisory. In all its functioning it has not been able to act frankly, openly, and responsibly as an advocate and defender of consumers' interests on all matters of moment. Indeed even if it had been willing to fight for consumers' protection it would have been considerably hampered by and bound to give widest publicity to the facts that it has no technicians or scientists conversant with consumer commodities, and that it had been denied by the administration, vitally needed access to the press and other channels of publicity.

Unlike the Consumers' Counsel of the Agricultural Adjustment Administration it has no bulletin service of its own which can carry its message to consumers. A body which has no theory of reasonable price or even of price control, whose economic advisers are so wise or so blasé economically as to believe neither in free competition nor in regulated monopoly as a brake upon sellers' greed or overreaching can lay no proper claim to being official counsel for or defender of consumers' rights and interests. It has, moreover, no right to complain of lack of support or response from consumers and consumers' organizations.

#### PATERNALISM

The government does much for business and industry, a fair amount for intermediate consumers, especially agriculturists, and practically nothing of consequence for ultimate consumers. What it does for industry and agriculture is heavily and consistently biased (as with lead and arsenic insecticide residues on the fruits and vegetables we eat) *against* consumers, and what little it does for ultimate consumers is heavily and consistently biased *for* business and industry and agriculture. This is true in the state and city governments, as well as in the federal government.

Those in academic or governmental circles who are studying and reporting upon the subject at the present time, are in various ways misled by the superficial or putative rather than actual relationships ex-

**Prevention is the  
BEST form of protection**



**Yes, if the preventative  
is safe as well as efficient**

## THAT'S WHY EVERGREEN TOILET TISSUES ARE SAFER

HIGHLY absorbent, finer in texture . . . with no sharp edges or rough surfaces . . . Evergreen Toilet Tissues are *not only softer but safer*. Every fibre is impregnated with boric acid—the safe antiseptic which soothes and heals as well as protects. This safeguard is exclusively Evergreen . . . yet it costs you *no more*.

**HOBERG PAPER & FIBRE CO.  
MANUFACTURERS GREEN BAY, WIS.**



*the surety of safety* **Evergreen**  
TOWELS AND TOILET TISSUES

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WATERMARKED  
*"The Nation's Business Paper"*

In 14 practical brilliant colors besides whiter-than-snow—six desirable finishes—with envelopes to match.

**HOWARD LEDGER**  
WATERMARKED

In white, buff and light buff—four weights and all standard sizes.

**HOWARD MIMEOGRAPH**  
WATERMARKED

In four sizes—16 and 20 substance—wave and laid finishes—in white, pink, blue and buff.

**Howard Writing**  
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For duplicating, typewriting, pen and pencil writing. Takes halftones beautifully. In six sizes and three weights—in white only.

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isting between government and consumers, or between the various government departments concerned, and in some cases their findings and judgments certainly consciously misrepresent the situation and mislead consumers to their very great cost.

#### CABINET MEMBER

To hasten the day of governmental concern for consumers' rights and interests, Consumers' Research is pressing for the organization of a Department of the Consumer in the federal government, with its secretary a member of the President's cabinet. Its duties would be to encourage and advance research in the sciences, economies, and technologies related to consumers' goods and services, to coordinate all governmental activities affecting consumers' interests, to deflect and to guide them ever in the direction of advantage of consumers at large, and to keep a watchful eye and issue ceaseless publicity on other governmental departments, such as the tariff commission, food and drug, and public health administrations and other agencies whose operations closely affect or in

any way directly or remotely threaten or invade consumers' protection and interests.

While admitting the inherent weakness of any such agency operating under the very aegis of the government which it would be its duty to criticize and to orient, we see little hope for establishing a consumer-conscious governmental and industrial system in America unless and until a beginning is made to set up specific, publicly recognized services within the government itself; to establish a rational basis of concern and control for costs and prices of consumers' goods; to provide a service of information, precise and truthful description and interpretation of goods, their quality and kind, in their consumption relationships; and to guide and to set up standards and specifications which shall establish minimums of quality and grade below which products may not fall and be allowed to reach the consumer's market, and several other and higher levels of grades as circumstances may require, defined by and for consumers with expert professional advice and service from government agencies.

## THE OPEN PRICE AGREEMENTS AND MUNICIPAL BUYING

by JOSEPH W. NICHOLSON, P. A.

City of Milwaukee

THE American Municipal association and the United States Conference of Mayors represent the viewpoint of five thousand American cities. These cities probably constitute the largest group of consumers in the country expending billions of dollars annually in the support of municipal public works and facilities.

During the recent period of depression, the average citizen became tax conscious. Owing to a curtailment in employment, he found himself with plenty of time on his hands and rapidly dwindling resources. When he received his tax bill for the support of his community he found it difficult if not impossible to pay his taxes promptly as had been his custom in the past. He wondered why his taxes were not reduced in proportion to his income. In fact perhaps for the first time, he became interested to know what the city did with his tax money.

Groups of citizens then banded together for the purpose of reducing municipal taxes. City officials lay awake nights thinking up plans for accomplishing the same purpose. Drastic cuts in salaries of city officials and employes were made and budgets were slashed far below former levels in order to meet the extreme emergency. The reduction of municipal budgets was carried so far that even the most essential repairing and maintenance work was curtailed in most communities.

Then came a new deal from Washington. Many worthy citizens found employment at higher wages and shorter hours than they had been accustomed to in the past. Codes of fair competition were adopted and business began to get back on its feet. All thinking citizens expressed their gratitude to our great President Franklin D. Roosevelt and his staff of eminently worthy and estimable co-workers who have wrought so diligently in order to bring about this remarkable business recovery. Municipalities from the largest to the smallest are cooperating with the NRA in order that the program might succeed, and as a representative of these cities, let me say that we will do our utmost to accomplish that end. We believe that the NRA will come through with flying colors.

Naturally when a new and untried plan is hastily put into operation a number of errors will inadvertently creep in and we are here today to offer constructive criticism of policies and procedures of NRA codes in order that greedy selfishness which brought about the depression shall not find a place in the present order of things. Already it is evidencing itself upon the business horizon and is reaching out with clutching fingers through the medium of collusive price fixing. As representatives of the largest consumer of merchandise existing in this country we should point out the harmful things which are now

being done in the name of the NRA and should offer a remedy.

#### PRICE FIXING

The argument may be made that the codes do not contain price fixing arrangements. As an example, I refer to the code of fair competition for the reinforcing materials fabricating industry.

Article 4 is headed "Prices and Terms of Payment." In section 3,

"each member of the industry shall at all times maintain on file with the secretary, a list showing the prices for all his . . . materials . . ."

Section 4 states the elements of the price, but says nothing of the cost of production. The only inference which can be taken is that the price shall be such as is agreed upon by the industry.

Section 7 authorized the board of directors of the industry to increase the price filed by any member, if in their opinion, it is an unfair price.

#### PACKERS

An article appeared recently in a local newspaper with reference to the action commenced by Secretary of Agriculture Wallace, against the packing industry, in which the furnishing of prices by the members of the industry to each other—in effect, doing what is made compulsory by section 3—is the basis of the alleged violation. Ten of the country's largest packers are cited in the action. Secretary Wallace charged that each of the companies furnished the others with information on meat prices which enabled the companies to give "unreasonable preferences and advantages" to certain purchasers of meat and meat products, to give preferences to certain localities, to discriminate unjustly between certain persons, to force competitors out of business and to manipulate prices and apportion sales in commerce.

Therefore, the provisions of the above quoted sections amount to the legalization of practices by members of the industry under which in the past such practices have been held unfair and illegal because they directly result in the fixing of prices and the strangling of competition, both fair and unfair.

#### SUGGESTIONS

(1) Strictly speaking, all provisions of codes affecting prices should be eliminated.

(2) If protection is felt to be necessary to industries subscribing to the NRA, the increased costs occasioned thereby could by suitable code provisions be added to the cost of the article as of July 1, 1933, such added cost at present to be fixed by the industries themselves, scrutinized later by proper authority, and adjusted if necessary.

(3) In the alternative, if because of the emergency it is deemed sound public policy to eliminate sales below cost of production, the codes should spe-

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Claude H. Bennett, General Manager

sifically so provide. The industries should not be allowed to fix them however, but a proper governmental authority should be provided for that purpose.

I believe it will be generally admitted that the price hearing held Jan. 9 disclosed sufficient instances of collusive price fixing, and a general disregard of the consumers' interest as to leave no doubt in the minds of any one that certain manufacturers and dealers are taking advantage of the present situation in order to recoup their losses of the last few years. I believe that you will all agree that it was not the intent of the present administration to place in the hands of business the means of recovering these losses, but rather to provide a medium whereby they could remain in business and pay themselves and their employes fair and reasonable salaries and wages.

This was to be the first step and naturally as business conditions improve sufficient funds could be found later to pay dividends to stockholders and otherwise follow accepted business procedure. Obviously were this plan being pursued at present by all business concerns, we would not be here discussing this matter today.

Our primary complaint against operation of the codes is the uniformity of bids, and the unwarranted increase in prices. Both of these are the result of the open price provision in most of the codes.

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